

AN ANALYSIS OF THE IMPLEMENTATION OF POLICY
AND THE CONTROL OF SMALL PURCHASES
OF \$250 OR LESS

Margaret Eastlund Hamman

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THESIS

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AND THE CONTROL OF SMALL PURCHASES
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by

Margaret Eastlund Hamman

June 1975

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An Analysis of the Implementation of Policy and the Control
of
Small Purchases of \$250 or Less

by

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Lieutenant, Supply Corps, United States Navy
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Submitted in partial fulfillment of the
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ABSTRACT

This thesis examines small purchase procedures for buys of \$250 or less. The stress of the study is placed on the control elements found in small purchase procedures. It is noted that the simplification of procedures desirable for these types of purchases has been complicated by an excess of control and an overabundance of documentation. The thesis identifies areas for future study leading to increased efficiency in small purchasing. Buying techniques investigated are the Blanket Purchase Agreement, the Imprest Fund, the Purchase Order and Fast Payment Procedures. Recommendations are made for both immediate and long-range improvement of the small purchasing system.

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TABLE OF CONTENTS

	Page
LIST OF FIGURES	8
ACRONYMS AND ABBREVIATIONS USED	8
REFERENCED FORMS	10
I. INTRODUCTION	11
A. PURPOSE	11
1. The Organizational Framework	11
2. The Measures of Purchasing Effectiveness	12
B. RESEARCH METHOD	13
1. Purchases in the \$0 to \$250 Category	13
2. Research, Document Search	13
C. HYPOTHESIS	15
II. GENERAL BACKGROUND INFORMATION	16
A. THE RELATIONSHIP OF PROCUREMENT TO GOVERNMENT EXPENDITURES	16
B. SMALL PURCHASE DEFINED	16
1. History	18
2. Competition	19
a. Formal Advertising versus Negotiation ..	19
b. Competition in Small Purchasing	22
C. SMALL PURCHASE PROCEDURES	23
1. The Blanket Purchase Agreement	23
2. Fast Payment Procedure	24
3. Imprest Fund	25
4. The Purchase Order	26

	Page
D. PURCHASING IN THE ORGANIZATION	34
1. The Accounting Activity	34
2. The Paying Activity	35
3. Other	37
III. SMALL PURCHASING IMPLEMENTED	38
A. POLICY	38
B. ANALYSIS OF SMALL PURCHASE TECHNIQUES	40
1. The Techniques	41
2. The Technique Mix	42
3. Comparison of Technique Response Time	48
4. General Statement on Results	48
C. CONTROL OF SMALL PURCHASING	52
1. Pre-Purchase Considerations	52
2. Control of Local Purchasing Authority	54
3. Systems Review	55
4. Control by the Accounting Activity	57
5. Control by the Paying Activity	57
D. SMALL PURCHASING IN ACTION: A CASE	58
IV. IMPLICATIONS	61
A. THE HYPOTHESIS RESTATED	61
1. The Priorities Among Purchase Methods	63
2. Granting Local Purchase Authority	64
3. Fast Pay Across-the-Board	65

	Page
B. REQUIREMENTS FOR FUTURE STUDY	66
1. Data for Evaluating Costs of Small Purchase Procedures	67
a. Bulk Funding	68
b. Standard for Response Time	68
2. Review of Small Purchase Organizations	69
APPENDIX A: DD 1155r, GENERAL PROVISIONS	70
APPENDIX B: REQUIRED TERMS AND CONDITIONS: BLANKET PURCHASE AGREEMENT	71
APPENDIX C: DD 1155: ORDER FOR SUPPLIES OR SERVICES/REQUEST FOR QUOTATIONS	74
BIBLIOGRAPHY	75
INITIAL DISTRIBUTION LIST	76

LIST OF FIGURES

- FIGURE 1 The Relationship of Budget Outlays to Government Procurement and Grants
- FIGURE 2 Relationship of Small Purchases to Total Purchases
- FIGURE 3 Comparison of Purchase Method Mix
- FIGURE 4 Comparison of Response Time

ACRONYMS AND ABBREVIATIONS USED

AEC	Atomic Energy Commission
ASPR	Armed Services Procurement Regulations
BPA	Blanket Purchase Agreement
C.O.D.	Cash on Delivery
CONUS	Continental United States
DD	Department of Defense Form
DOD	Department of Defense
FY	Fiscal Year
GSA	General Services Administration
MSC	Military Sealift Command
NASA	National Aeronautics and Space Administration
NAVCOMPT	Department of the Navy, Office of the Comptroller
NAVSUP	Naval Supply Systems Command
RMS	Resources Management System
SF	Standard Form
USC	United States Code
USDA	United States Department of Agriculture

REFERENCED FORMS

DD 250	Material Inspection and Receiving Report
DD 1149	Requisition and Invoice/Shipping Document
DD 1155	Order for Supplies or Services/Request for Quotations
DD 1348	DOD Single Line Requisition System Document
NAVCOMPT 2035	Summary of Accounting Data
NAVSUP Form 80A	Purchase Statistics
NAVSUP Form 1321	Navy C.O.D. Order (4270)
SF 36	Continuation Sheet
SF 1129	Reimbursement Voucher

I. INTRODUCTION

A. PURPOSE

The purpose of this thesis is to examine one aspect of small purchasing within the United States Navy and to determine if the simplified procedures applicable to type of acquisition process need augmentation, modification or restatement to effect increased efficiency.

It is a logically understandable fact that a manager does not wish to devote a significant percentage of his administrative/ clerical resources to functions having little impact on the success or failure of his enterprise. This fact is recognized by the Department of Defense (DOD) and the Navy in their provision of simplified procedures for effecting small purchases. The intended purpose behind these procedures is to reduce administrative costs; improve the time lag between issuance of a requisition and effecting the purchase action; and, as a side effect, reduction of the span between purchase action and vendor payment.

1. The Organizational Framework

This investigation will be organized into a framework which recognizes the specific interests of the following organizational elements:

a. The requisitioning activity or user who is primarily concerned with receiving the required material, at a price within his budget, as quickly as possible.

b. The purchasing activity which is responsible for effecting the buy in such a manner as to obviate misuse of Government funds while satisfying the user's requirement promptly and at the most efficient price.

c. The accounting activity which is responsible for recording the financial transaction and keeping the activities it supports informed of their financial standing with respect to their budgeted allotment(s).

d. The paying or finance activity which is responsible for liquidating the Government's obligations through issuance of payment to suppliers.

2. The Measures of Purchasing Effectiveness

Further, this thesis will address this subject matter in terms of three measures of purchasing effectiveness.

a. Response Time

Response time is defined to be time measured from the date of the requisition to the date the purchase action is awarded.

b. Vendor Payment

The discussion of vendor payment will not be concerned with specific timeframes but rather the amount of effort, on the part of both the Government and the vendor, required before the paying activity can effect payment.

c. Accounting

The purchasing function generates original data which is the raw material of the accounting function. These data requirements impact the manner in which purchasing is accomplished and have a direct relation to purchasing effectiveness and efficiency.

B. RESEARCH METHOD

1. Purchases in the \$0 to \$250 Category

The author has chosen to limit this thesis to a consideration of small purchases in the \$0 to \$250 range. Such purchase actions, as specified in the Armed Services Procurement Regulations (ASPR) 3-604.1 [reference 1], do not require documentation of competition unless there is reason to suspect the price quoted is not fair and reasonable. While such a statement might infer that a small purchase buyer, operating in this category of purchases, has a free hand in accomplishing these buys, this is not the case. They are still directed to insure that the Government's business is spread over all sources capable of satisfying the requirement. However, documentation of competition for an individual buy of \$250 or less is not required. For this reason, the author views this category of purchasing as the most basic. Commodities within this price range are most often common, commercially available goods or services, with fairly predictable prices and many suppliers.

2. Research, Document Search

Background material for this thesis was developed primarily through research of available regulations and documents pertaining to small purchasing. Foremost among these is the Armed Services Procurement Regulations (ASPR), the Naval Supply Systems Command Publication 467 (Field Purchasing), the Naval Supply Systems Command Manual and the Navy Comptroller Manual.

The author encountered one insurmountable obstacle during the research phase of this thesis. There exists a definite lack

of data from which to derive legitimate costed conclusions concerning the various methods of accomplishing small purchases in the \$0 to \$250 range.

While this problem is one of scarcity of published data, another constraint restricted the author from gathering original data. Because of the diversity of organization of the activities having responsibility for this category of purchases, it is left to the researcher to observe the process being accomplished as a first step in understanding the flow of documents and the procedural priorities.

The author examined two activities in detail, a Naval Supply Center and a Field Activity with \$2,500 small purchase authority. The Field Activity was the author's previous duty station. The Naval Supply Center was the organization immediately senior to this field activity in the purchasing chain of command.

Close observation of small purchasing in action was possible at the Field Activity since it was, in fact, the Naval Postgraduate School. Close and continuous observation was not possible at the Naval Supply Center, however, since on-site visits were limited to one and two-day trips. With respect to the Naval Supply Center, the author was forced to infer from limited published data, the intricacies of the organizational environment. The validity of this approach suffered due to a major reorganization of the department responsible for these purchases within the past 9 months.

C. HYPOTHESIS

It is the author's hypothesis that simplified small purchase procedures do not presently result in efficient procurement. The author places the blame for this inefficiency not necessarily on the specified procedures for small purchasing but rather on the interpretation of these regulations and on the efforts of the organizational elements concerned with small purchasing to safeguard the interests of the Government.

Control in Governmental operations, and especially in the area of purchasing, tends to be an anticipatory measure applied to the successful completion of a particular function. In other words, control is applied to prevent the undesirable effect rather than as a diagnostic measure which is more often the case in commercial concerns.

Control is applied at various levels within the purchasing process, by the user, the purchasing activity, the accounting activity and the paying activity. The author contends that these layers of control are not justified considering the types of buys being made (\$0 to \$250) and with respect to the impact on the total mission of the organization of these purchases. The author will infer in her recommendations for further study, in fact, these layers of control will be found to be detrimental to the overall achievement of organizational goals because of the administrative costs such controls represent.

II. GENERAL BACKGROUND INFORMATION

Before proceeding with an evaluation of small purchasing procedures, it is necessary to place the subject matter in focus. The author will attempt to define terminology and picture small purchasing in a perspective which will be the basis of further evaluation.

A. THE RELATIONSHIP OF PROCUREMENT TO GOVERNMENT EXPENDITURES

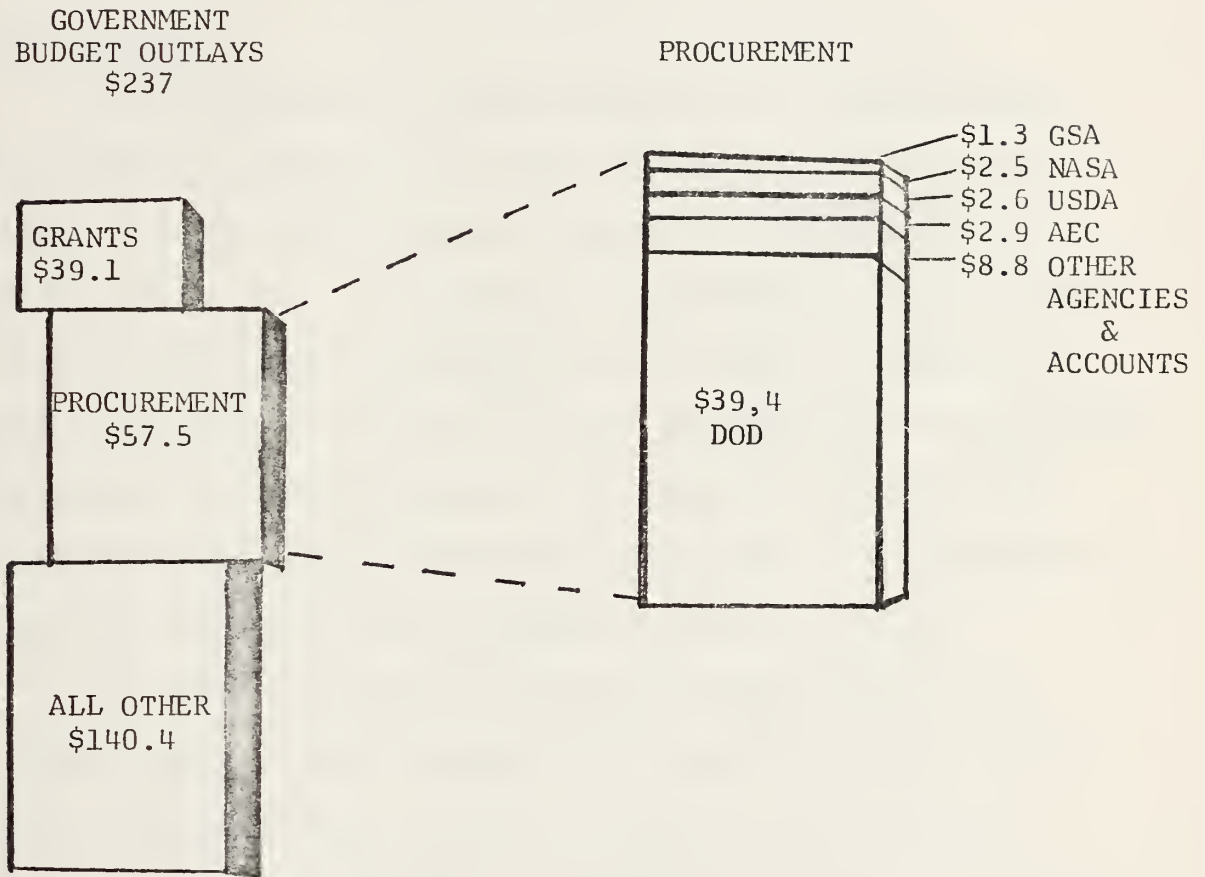
How extensive is the impact of procurement on the manufacturing process? Anywhere from 25 to 80 per cent of a company's expenditures can be for purchased items/services, [reference 3]. Figure 1 graphically illustrates the significance of the total budget dollars spent on procurement by the Government. The Commission of Government Procurement estimates that in fiscal 1972 the Government spent \$57.5 billion for procurement. If a two per cent savings could have been realized, the American taxpayer could have saved more than \$1 billion [reference 10].

B. SMALL PURCHASE DEFINED

The American taxpayer, the Congress and the Government as an organization are acutely concerned with the number of dollars spent for procurement, and it is in this area where the majority of analyses are being done. Recently, however, emphasis is being placed on studying the procurement process; the Commission on Government Procurement and the Study on Automation in Defense Procurement are noted as two examples.

RELATIONSHIP OF BUDGET OUTLAYS TO
GOVERNMENT PROCUREMENT AND GRANTS

FISCAL 1972 ESTIMATE (Billions of Dollars)



Source: Reference 10

Figure 1

Even these two examples stress that area of procurement where the majority of dollars are spent, not where the majority of actions occur. The author has chosen to study this latter subject matter, however. With the plethora of literature dealing with major weapons systems acquisition, is it valid to examine that percentage of the total procurement picture which is representative of small purchases.

1. History

The significance of small purchases as a classification of procurements appears in the Armed Services Procurement Act of 1947 and again in the Federal Property and Administrative Services Act of 1949. Both pieces of legislation make exceptions to formal advertising for purchases under \$1,000. Legislation raised this ceiling to \$2,500 in 1958. The Commission on Government Procurement recommended increasing this limit to \$10,000. This recommendation is being implemented at this time. For construction, however, the monetary limit for small purchase is \$2,000.

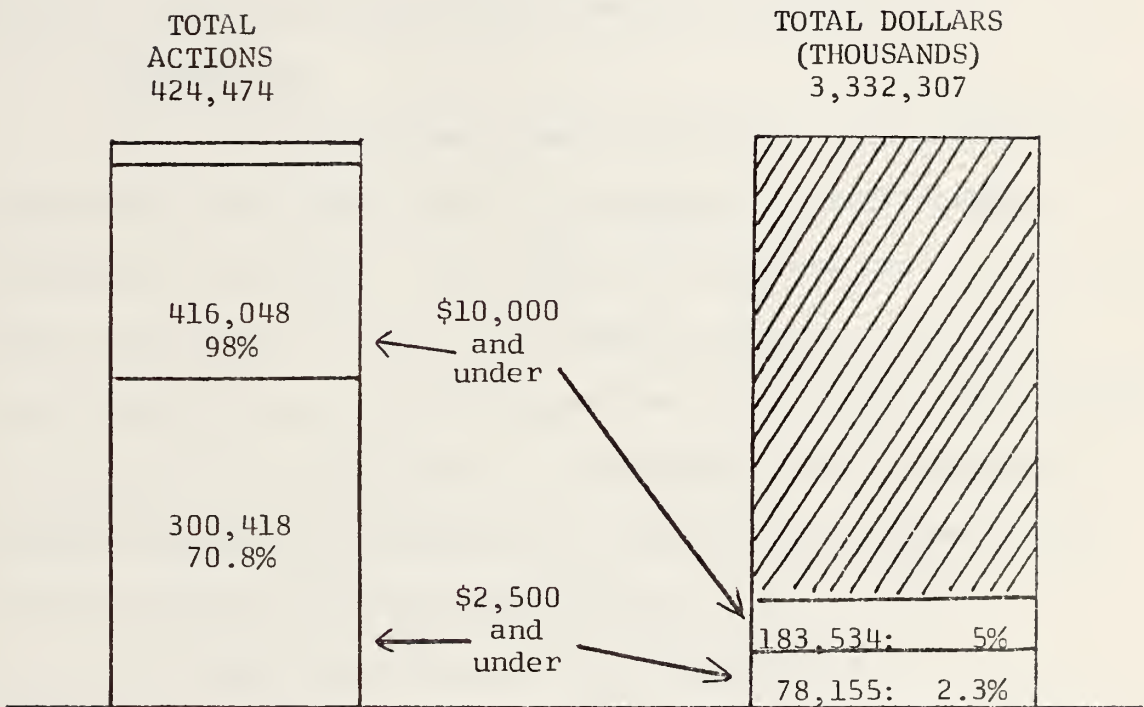
To gain a perspective of this study area, Figure 2 is presented, showing both in number of actions and in total dollar value, the relationship of small purchases to total purchases within the Navy. It is evident that the vast majority of actions fall within the dollar limitations specified for small purchase.

Generally speaking, the problem of small orders occurs both in private industry and the Government. Figure 2 emphasizes the impact on the total procurement dollar that small purchases represent.

RELATIONSHIP OF SMALL PURCHASES
TO TOTAL PURCHASES

FY 1975: JULY THROUGH SEPTEMBER

NAVY



Source: Format, Reference 10; Statistics, Reference 11

Figure 2

Government procurement procedures specify several methods for accomplishing small purchases. They are; Purchase Orders, Imprest Funds, Blanket Purchase Agreements, Purchase Invoices, through the use of the U.S. Government National Credit Cards and orders against existing contracts. The last two techniques are often included in a definition of small purchases because of their dollar value but are, in fact, orders placed against contracts which could have been formally advertised.

2. Competition

Government procurement has consistently been committed to competition as the most "moral" alternative to profiteering, embezzlement and graft. Since 1860, the Congress has insisted that formal advertising is the most expeditious manner in which to achieve competition. To the Congressman, this format seems cleaner or at least more justifiable to constituents. But in periods of national emergency, negotiation has been allowed because of the time requirements of formal advertising.

a. Formal Advertising versus Negotiation

To clarify the distinctions and similarities between formal advertising and negotiation, it is useful to review the treatment given to both subjects in the Armed Services Procurement Regulation (ASPR). Formal advertising is defined in paragraph 2-101 as;

procurement by competitive bids and awards as prescribed in this Section, and involves the following steps:

- (i) Preparation of the invitation for bids...
- (ii) Publicizing the invitation for bids...
- (iii) Submission of bids by prospective contractors;...
- (iv) Awarding the contract.

ASPR 2-102.1(a) further directs that formal advertising will be used

whenever such method is feasible and practicable under the existing conditions and circumstances even though such conditions and circumstances would otherwise satisfy the requirements of (negotiation)....In accordance with this requirement, procurements shall generally be made by soliciting deemed necessary by the contracting officer to assure full and free competition consistent with the procurement of the required supplies or services.

ASPR allows acquisition through negotiation under seventeen specific exceptions. They are:

- (1) National Emergency.
- (2) Public Exigency.
- (3) Purchases not more than \$2,500.
- (4) Personal or professional services.
- (5) Services of educational institutions.
- (6) Purchases outside the United States.
- (7) Medicines or medical supplies.
- (8) Supplies purchased for authorized resale.
- (9) Perishable or nonperishable subsistence supplies.
- (10) Supplies or services for which it is impracticable to secure competition by formal advertising.
- (11) Experimental, developmental or research work.
- (12) Classified matter.
- (13) Technical equipment requiring standardization and interchangeability of parts.
- (14) Technical or specialized supplies requiring substantial initial investment or extended period of preparation for manufacture.

(15) Negotiation after advertising.

(16) Purchases in the interest of national defense or industrial mobilization.

(17) Otherwise authorized by law.

It is important to again note the prescription to use formal advertising even when justification for negotiation is found whenever formal advertising is feasible and practicable. In addition, ASPR 3-101 directs that negotiated procurements shall be on a competitive basis to the maximum extent practical [Ref. 1] .

b. Competition in Small Purchasing

In this area especially, the Government's business is directly comparable to that of the commercial arena. The Report of the Commission on Government Procurement says of competition:

Competition is not a procurement technique. It is a phenomenon of the marketplace, and the extent to which it exists in any given marketplace ordinarily is not influenced by the method of procurement employed. Competition is the effort of sellers, acting independently of each other and offering products or services that are reasonably close substitutes for those offered by other sellers, to secure the business of the buyer by proposing the most attractive contract terms [Ref. 10, Vol. 1, pg. 19].

NAVSUP 467, Field Purchasing, in paragraph 5001.1, allows that purchases not exceeding \$250 may be accomplished without soliciting competition when prices are considered fair and reasonable. But an immediate caution to distribute business over all qualified suppliers immediately follows. The advantages of accomplishing buys of \$250 or less is that the purchaser's valuable time is not devoted to the documentation of competition required for larger buys.

C. SMALL PURCHASE PROCEDURES

The vehicles for accomplishing small purchases have been mentioned. In order to evaluate small purchasing, one must examine the situation as it presently exists in all of its formats.

Only three small purchase techniques are considered in this thesis; the Purchase Order, the Imprest Fund and the Blanket Purchase Agreement. The Purchase Invoice method, because of its "blank check" nature is used sparingly and reluctantly. The U. S. Government National Credit Card, as has been pointed out, is a technique by which orders are placed against previously established contracts, many of which are accomplished through other than small purchase procedures. Consequently, this method is not truly a small purchase but is rather a delivery order. In addition, the Fast Payment Procedure will be discussed. While not a purchase technique, the Fast Payment Procedure provides a means for speeding up the processing of vendor payments.

1. The Blanket Purchase Agreement

The Blanket Purchase Agreement (BPA) is defined in both ASPR and NAVSUP 467 as the Government's "charge account." Its purpose is to reduce administrative costs in accomplishing small purchases by eliminating the need for issuing individual purchase documents [Refs. 1 and 2].

A single order placed against a BPA cannot exceed \$2,500 except for subsistence items. The requirement for competition is satisfied by establishing BPA's with many suppliers capable of satisfying the Government's needs for supplies or services.

The format of the BPA is the DD 1155 using the SF 36 or a blank sheet of paper as a continuation sheet. Three clauses are to be included when circumstances warrant; the Contract Work Hours and Safety Standards Act - Overtime Compensation clause (when the total dollar amount of orders placed will exceed \$2,500), the Service Contract Act of 1965 clause must be substituted for clause 16 of the General Provisions (see Appendix A) when it is anticipated that the aggregate of the total dollar amount of orders to be placed thereunder will be greater than \$2,500, and the Walsh - Healy Public Contracts Act clause unless the total dollar value of the BPA will be limited to \$10,000 [Ref. 1].

The BPA as a document is numbered in accordance with the Uniform Procurement Instrument Identification Numbering system. Accounting data is not necessarily included in the BPA allowing for orders citing different appropriations to be placed against it. Negotiation authority is granted under 10 USC 2304 (a) (3) or 10 USC 2304 (a) (6). This negotiation authority applies to all small purchase methods. The list of exceptions to formal advertising, presented previously, corresponds to the numerical subscripts of these authority citations; i.e., 10 USC 2304 (a) (3) includes all purchases not more than \$2,500.

In addition, BPA's must contain the terms and conditions listed in Appendix B. The most interesting element of this list is the provision for identifying individuals authorized purchase responsibility but who are not part of the purchase organization. Both ASPR and NAVSUP 467 recognize the necessity of granting purchase authority to these individuals. These buyers are made

purchasing agents and are consequently subject to the regulatory and policy guidance of DOD and Department of the Navy purchasing procedures.

ASPR states, in 3-605.4 that calls made against a BPA will most often be made orally. Written calls may be made on either the DD 1155 or on a locally developed form. In examining the Fast Payment procedure, it will be noted that written BPA calls are a necessity. If the supplies and services are destined for the activity over which the purchasing office has administrative control, receipt and acceptance may be documented on a sales slip, delivery ticket, DD 1155 or DD 250. If this is not the case, the DD 250 series is the document required for use.

Vendor's invoices may be submitted in one of three ways. A summary invoice may be submitted for all deliveries made during the billing period. This invoice must be submitted at least monthly or at the expiration of the BPA. A summary invoice must be substantiated by copies of the delivery tickets. A vendor may choose to submit an itemized invoice which does not require documentation. Again, an invoice of this type must be submitted at least monthly or at BPA expiration. Finally, a dealer may submit an invoice for each delivery. In this case the Receipt Control activity will collect the invoices and submit them for a consolidated payment at the end of a specified period. No matter what invoicing technique is used, the crux of the BPA is a consolidated payment for many individual purchases.

So far, the discussion of the BPA has focused on ASPR's definition of the procedure. NAVSUP 467 further restricts the

process. It includes, in addition to the requirements of ASPR, the necessity for delivery instructions to be specified as a term within the body of the BPA. NAVSUP 467 also addresses the use of the Fast Payment procedures in conjunction with use of the BPA with less than enthusiasm. Although normally it should not be necessary to do so, fast payment procedures may be used in conjunction with blanket purchase agreements [Ref. 2]. In the interest of reducing the possibility of collusion, NAVSUP 467 specified and directs a division of labor. Minimally, the individual placing the call against the BPA cannot be responsible for receiving, inspecting and accepting the supplies and services so ordered. Ideally, there will be a three-way division of labor separating the individual initiating the requirement from the person placing the call and a third individual for the receipt, inspection and acceptance functions.

The primary difference between the treatment given the subject of BPA's in ASPR from that given in NAVSUP 467 is an outlining of the procedure at the working level. Detailed attention is paid to the exercise of call authority outside the purchasing organization. While no form is specified for use in placing calls, at least a minimum number of copies for whatever form is used is noted.

Receipt control functions are outlined in the Naval Supply Systems Command Manual, Volume II, paragraphs 23075 through 23077. Within that section of the organization responsible for the receipt control function must be established a BPA open order file. This file will ultimately contain the blanket purchase agreement, a copy of the vendor's delivery ticket which has been signed by the

receiving checker and which denotes receipt and acceptance of the material, and one copy of the purchase request document used to place the BPA call. Two matching processes are required in maintaining the BPA open order file. Upon receipt of the delivery ticket, it must be matched to the purchase request document. In turn, the dealer's invoice must be matched to the delivery ticket/purchase request document. When this second matching operation has been completed, the vendor's invoice is certified correct for payment.

Before the invoice and its supporting documentation can be forwarded for payment, and if multiple accounting data is involved, a Summary of Accounting Data (NAVCOMPT Form 2035) must be prepared. This document segregates all charges included in the dealer's invoice according to their respective accounting data. The original and one copy of the NAVCOMPT 2035 (with an additional copy for each accounting data element), the dealer's invoice and its supporting delivery tickets, if required, are then ready to be forwarded to the appropriate Navy Regional Finance Center for payment. If the vendor submits an invoice for each delivery, a procedure previously mentioned, each invoice will be certified, held the appropriate length of time, and forwarded at the end of the billing period for consolidated payment. If multiple accounting data is involved, the NAVCOMPT 2035 may be certified in lieu of each invoice.

ASPR directs, in 3-605.7, a review to be conducted by the contracting officer or designated representative of all BPA files at least semi-annually. This review will ascertain if BPA

procedures are being followed. If the BPA is being used by an activity other than the one which established the BPA, the using activity will conduct this review. In any case, however, the issuing activity will also review the BPA file at least annually.

2. Fast Payment Procedure

In order to foster good vendor relations, ASPR provides for the Fast Payment procedure. Under this system, the vendor is paid upon submission of an invoice direct to the paying activity which constitutes a representation that the supplies have been delivered to a post office, common carrier or point of first receipt by the Government. The Government is "covered" in that the contractor agrees to replace, repair, or correct supplies not received at destination, damaged in transit, or not conforming to purchase agreements [Ref. 1].

Fast Payment procedures are not designed for routine supply replenishment. This process was originally intended for use by activities which support deployed or remote commands. Shipping time to these sorts of activities tends to be lengthy and placed an unreasonable demand on the vendor who had to wait for acceptance before he could be paid. NAVSUP 467 is more specific in its definition of appropriate circumstances for the use of the Fast Payment procedure. It should be used when the procurement is for delivery to an overseas activity including Alaska and Hawaii, a ship, an ocean terminal for transshipment, or when consignees are multiple [Ref. 2].

The advantage to a vendor is quite obvious; he is not subjected to the same degree of delay in receiving payment that he experiences in the use of other purchase methods excepting the Imprest Fund. Since the dealer is being paid on the basis of his invoice, however, a requirement exists for some document to accompany the invoice or to be matched to it, which contains the accounting data to which the charge will be made. Therefore, oral calls placed against a BPA cannot be made under Fast Payment procedures. In fact, it is not to the dealer's benefit to accept even written orders against a BPA if his main concern is to take advantage of Fast Payment procedures. Under Purchase Order procedures, his invoice is processed as soon as it reaches the paying activity. Under the BPA, either his invoices are batched or he must wait to submit a summary/itemized invoice.

Under Fast Payment procedures the contracting officer is responsible for monitoring the contractor's performance and taking action to rectify less than satisfactory results.

At the present time, Fast Payment orders are not readily identifiable from the standard purchase statistics summary, NAVSUP Form 80A, Purchase Statistics. Despite the restrictions on use of Fast Payment procedures, the method is being interpreted by large support activities and is receiving heavy use. It was possible to observe processing of Fast Payment orders at the Navy Regional Finance Center, Treasure Island. Here 40 to 45% of all invoices processed are accomplished under Fast Payment procedures. This figure is even more impressive when one realizes that this is a small purchase procedures and represents 53.5% of all small purchase actions processed.

3. Imprest Fund

The Imprest Fund is often considered the Government's petty cash fund. Purchases accomplished through use of this procedure are limited in size to \$150 (\$300 in emergencies). Further, ASPR restricts use of the Imprest Fund to purchases of supplies or services available for delivery within 30 days. The types of items purchased by the Imprest Fund cannot require detailed specifications or inspections. They are usually standard, off-the-shelf commodities.

The majority of regulations of the Imprest Fund found in ASPR concerns the safeguarding of funds. This is expecially true when cash is advanced to individuals other than the Imprest Fund cashier for over-the-counter transactions. ASPR provides for an unbroken chain of personal, documented responsibility for the Government's cash. In addition, ASPR directs a quarterly review of the size of the Imprest Fund to determine if the Fund is in excess of the actual needs of the activity.

NAVSUP 467 directs, for the sake of simplicity, that Imprest Fund transactions usually involve one delivery, one payment. In addition, NAVSUP 467 restricts, to a much greater degree, the situations in which the Imprest Fund may be used. In most cases its use is prohibited to classes of transactions for which specific allotments and acquisition procedures have been provided. The recording systems which supplement these transactions would be unduly complicated if purchases were effected through the Imprest Fund. Examples of these restrictions are the payment of salaries and wages, payment of transportation charges and payment of travel claims.

Processing of C.O.D. orders is included in the discussion of the Imprest Fund even though it is radically different from routine Imprest Fund buys. C.O.D. orders are prepared within the purchase activity and the purchase document is forwarded to the Imprest Fund cashier. The actual cash payment is made to the delivering agent after receipt and acceptance. The significant difference between this transaction and an over-the-counter buy is the purchase order documentation in the form of the C.O.D. form.

When a C.O.D. transaction is accomplished, the buyer in purchasing prepares the order form (NAVSUP Form 1321). This is not an obligating document and its use and distribution is a matter of local discretion and control. Again, as is the case with other Imprest Fund buys, the purchase request document is the obligating document.

An interesting aspect of the Imprest Fund procedure is the handling of orders placed on a C.O.D. basis but shipped by the contractor subject to payment by check. In accordance with NAVSUP Manual, Volume 2, paragraph 23109-6b(2), such invoices may be processed for payment by the local disbursing officer vice the supporting Navy Regional Finance Center. Transactions processed in this manner usually result in faster receipt of payment by the vendor.

In preparation for reimbursement, the Imprest Fund cashier will prepare a Reimbursement Voucher (Standard Form 1129). The dealer's bills representing Imprest Fund disbursements will accompany this voucher. Certification of the voucher is required by both the Imprest Fund cashier and the Supply Officer assuring

that the supplies/services were purchased in accordance with pertinent regulations. To provide documentation substantiating this certification, a simple file of purchase request documents noting that an Imprest Fund buy has been made, the dealer's name and address, the prices and extensions and receipt and acceptance notations will be maintained.

In the course of reimbursing the Fund, the Imprest Fund cashier prepares a NAVCOMPT Form 2035 noting the various accounting data to be charged for purchases made by this method. Under some circumstances, this document is prepared by the disbursing officer or fiscal officer of the command but at most shore stations (in CONUS), this function is performed by the Imprest Fund cashier.

The Imprest Fund cashier is required to maintain a file which contains the purchase request documents covering all Imprest Fund transactions. In addition, copies of ant C.O.D. orders will be retained awaiting delivery. Dealer's bills covering disbursements made from the Imprest Fund and not yet reimbursed will also be retained. Because these documents represent cash, many Imprest Fund cashiers retain these receipts in their safes. Inspection reports, although not usually required, may be retained if useful when material is purchased for stock.

4. The Purchase Order

The most formal of the small purchase techniques is the Purchase Order. This format is applicable not only to buys in the \$0 to \$250 range but to all buys not greater than \$10,000 when accomplished in accordance with the terms and conditions included

in the Purchase Order document, (DD 1155). Appendix A presents the terms listed on the back of the DD 1155.

The Purchase Order is a complete document. Within it are all of the applicable terms and conditions of the contract. Cross referencing to other documents for terms and conditions, as is the case with the BPA call, is not necessary. The Purchase Order is not only complete but is a readily identifiable entity. The appropriate accounting data chargeable for the buy is included. As a data source, the Purchase Order format contains all data elements necessary for tracking the transaction. Appendix C is the Purchase Order format, the DD 1155.

The Purchase Order is adaptable to Fast Payment procedures. It can be issued in an unpriced format subject to specific dollar limitations. A final price must be established by the contracting officer, however, before the transaction can go through the accounting and paying processes.

Purchase Orders are written documents signed by the contracting officer and addressed to a supplier. It requests delivery of supplies or services in accordance with the terms and conditions of the Purchase Order in exchange for the Government's promise to pay upon delivery, [Ref. 2]. Purchase Orders can be unilateral offers by the Government or two-party contracts. The unilateral Purchase Order is the most commonly used procedure. This is especially true of Purchase Orders effecting small purchases in the \$0 to \$250 range.

The Purchase Order format is designed to accommodate a variety of purchasing situations, most of which do not occur in the \$0 to \$250 range. Both ASPR and NAVSUP 467 make provisions for the solicitation of competitive quotations. The Purchase Order format

is conducive to accomplishing buys requiring specifications more involved than part numbers or brief descriptive nomenclature. Both ASPR and NAVSUP 467 provide well-defined and specific procedures for amending and modifying Purchase Orders.

D. PURCHASING IN THE ORGANIZATION

An adequate evaluation of the organizational environment of small purchasing is beyond the scope of this thesis. As many organizational nuances would be found as there would be activities studied. The author will attempt to present a picture of the elements within an organization who have a stake in some portion of the procurement effort. Besides the obvious buyer-vendor-user relationships, it is necessary to examine two other organizational elements which also influence purchasing and make up the procurement process.

1. The Accounting Activity

An accounting activity is responsible for analyzing obligations and expenditures entered in the allotment records for public vouchers, civilian payroll, and stores issues. In simpler terminology, the accounting activity is responsible for insuring that the activities it supports are kept informed of their financial standing with respect to their budgeted allotment(s). Allotments are authorizations granted within an appropriation for the purpose of incurring commitments, obligations and expenditures in the accomplishment of an approved mission, [Ref. 7]. Accounting classifications allow for identification of not only functional expenditures but expenditures for particular classes of material or services regardless of the purpose for which they are to be used.

Accounting activities receive input data primarily from three sources; the user/requisitioner, the acquiring activity and the paying activity. In the case of small purchase transactions; the user notifies the accounting activity of a commitment of funds, the purchasing activity forwards the obligating document and the finance center (or disbursing officer when overseas) notifies the accounting activity of payment. Depending upon the organization of the using activity, notification of commitment and obligation can be made concurrently or separately, by a single functional entity (the comptroller) or by the comptroller and purchasing activity separately.

2. The Paying Activity

It is the responsibility of the paying activity to effect the public voucher which represents evidence that the obligation of the Government has been liquidated, [Ref. 8]. The paying activity is further charged with the responsibility of insuring that documentation is present and retained to insure against duplicate or overpayments.

In order to accomplish the paying procedure, the paying activity must insure that certification of receipt and acceptance has been made. The one exception to this rule of thumb is the Fast Payment procedure. Here, the submission of the dealer's invoice is proper documentation so long as the paying activity is also in possession of the accounting data relevant to the purchase. This data is forwarded to the paying activity in one of two ways; the purchasing office may forward a copy of the purchase document containing this information or the dealer may forward a similar

copy with his invoice. In the case of unpriced orders, the paying office may not proceed until it has received a priced document from the purchasing activity.

Paying activities are, in addition, responsible for collecting all discounts allowable under the terms of the purchase documents. The activity cannot delay payment if it does not receive the proper number of copies of individual documents. If the necessary certifications and original documentation is present, the activity will proceed so as not to lose any discounts.

Upon completion of the payment process, the paying activity must inform the appropriate accounting activity of charges so liquidated.

The documentation required for payment of an obligation varies according to the purchase method used. It is useful here to consider the variances in documentation required for the small purchase methods already discussed. The paying activity must have the following information/documentation in order to accomplish expenditure of Government funds:

a. An authenticated copy of the purchase document. Receipt of these documents by the paying activity will be acknowledged in some sort of log to obviate duplicate payments on additional copies of the purchase documents.

b. In the case of Blanket Purchase Agreements a copy of the original agreement and collected dealer's invoices covered by a Summary of Accounting Data (NAVCOMPT 2035).

c. A copy of any and all amendments and modifications to the purchase document.

d. Proof of receipt and acceptance in the form of the Material Inspection and Receiving Report (DD Form 250) or such other certifications that are allowable; i.e., certification of the dealer's invoice by the Receiving Officer. In the case of Fast Payment transactions, this requirement does not pertain. However, the dealer's invoice will note the date of shipment and information detailing mode of shipment, bill of lading number, etc.

e. In the case of Imprest Fund transactions, the supporting disbursing officer will insure that the Reimbursement Voucher (Standard Form 1129) is supported by:

(1) An original sales document showing payment has been received.

(2) A copy of the applicable purchase request showing the appropriate accounting data and the notations made by the purchasing office.

(3) If accounting data cannot be completed on the voucher, a Summary of Accounting Data (NAVCOMPT Form 2035) will be provided.

f. When a vendor has failed to ship C.O.D., the local disbursing officer may process the dealer's bill for payment after verifying that the bill has been annotated with certification of receipt and acceptance and applicable accounting data. Such a bill may also be forwarded to the supporting finance center for payment.

3. Other

Besides the two activities discussed above, and depending on the organization and resources of the unit acquiring the material or services, other organizational elements may exert an influence

on the purchasing process. Data processing functions may require the input of data in a particular format in order to provide information to the management information system.

NAVSUP 467, in paragraph 2001.3, directs the purchasing activity to establish some sort of system for controlling the flow of a purchase requisition through the purchasing process. This system should allow isolation of the purchase requisition in order to determine its status, expedite or otherwise specially handle the document, and/or report completion of the purchase action.

The requisitioning activity, also will most likely develop some sort of trailing system so that it, too, will be able to determine the status of the requisition. The result of the system becomes especially important if the requisition is to be cancelled and the corresponding funds applied elsewhere.

III. SMALL PURCHASING IMPLEMENTED

A. POLICY

Both ASPR and NAVSUP 467 extol the virtues of small purchase procedures because of the advantages of reduced administrative costs. ASPR 3-601 defines the purpose of small purchasing procedures to be, "The objective of the simplified purchase methods prescribed herein is to reduce administrative costs." In 3-604.1, ASPR goes on to say that "The administrative cost of verifying the reasonableness of the price of purchases not in excess of \$250... may more than offset potential savings in detecting overpricing..." Use of the Blanket Purchase Agreement is encouraged because, in ASPR 3-605.2, they are "designed to reduce administrative costs in accomplishing small purchases by eliminating the need for issuing

individual purchase documents." Finally, the specified format for issuance of a Purchase Order is designed for facilitating "manual and automated processing of contractual documents and the interchange of information..." (ASPR 3-608.1). NAVSUP 467 basically repeats the emphasis on reduction of administrative costs outlined in ASPR. It does not present this facet of purchasing policy with quite the emphasis as ASPR, however. NAVSUP 467 seems to be more concerned with controlling the purchasing function by outlining in much more detail, the procedural steps required for successful purchasing action. This point of view is shared with both the Naval Supply Systems Command Manual and the Navy Comptroller Manual.

Two other advantages of simplified purchasing procedures are also being voiced in current literature and policy statements. The Fast Payment Procedure is provided to speed up the time lag between award of the purchase action and vendor payment. NAVSUP 467 quotes ASPR 3-606.1, in paragraph 5095 when it states, "The fast payment procedure is designed to reduce lead time to consignees and to improve supplier relations by expediting payment for small purchases." Two objectives are being stated here, to reduce the time the requisitioning activity must wait for its requirement and to speed up the vendor payment process.

The concern of the Navy over the voluminous paperwork mill required for accomplishing small purchases has been voiced in the informal memoranda which serve as vehicles for the statement of procurement policy. In the Procurement Newsletter, disseminated by the Naval Material Command, the January-March 1971 issue, Mr. Sidney David presents an article addressing the problem of reducing

paperwork in small purchases. Mr. David points up two major causes of excessive paperwork; lack of planning on the part of requisitioners resulting in an excessive number of small purchases and confusion and misinterpretation of existing regulations resulting in excessive control procedures.

The author does not intend to address specifically the problem of lack of planning on the part of requisitioners, not because it is not an important one, but because the problem of over-control of the small purchase function is more capable, in the author's opinion, of definitization and solution.

Webster's New World Dictionary defines the noun control as, "a holding back, restraint, curb, check, a standard for comparison or checking the findings of an experiment." Robert D. Lee and Ronald W. Johnson, in their book Public Budgeting Systems, make the point that "In Government accounting, however, control actually refers to preventive action." [Ref. 5, page 256] In other words, an action which might result in a misuse of Government funds or in a violation of procurement policy is anticipated and measures are taken to insure that the circumstances allowing such an action are prohibited. It is therefore important, if one is to judge the efficiency of control, to view this element as it appears in the purchasing process.

B. ANALYSIS OF SMALL PURCHASE TECHNIQUES

It would be obvious to the profit motivated manager that to expend anywhere near the time or effort on small purchases that he does on large, mission-oriented buys would be directly detrimental

to the conduct of his business. The manager of a commercial concern understands that it is easier, more practical and more immediately effective, to increase profit by reducing procurement costs than by increasing sales. Increased procurement efficiency can be attained without the risks of increased capital investment, plant expansion or production.

The Government, too, must be able to evaluate its performance of the procurement function if it desires efficient operations. An evaluation of small purchase techniques should result in sufficient data for self-judging one's performance. Such an evaluation might well begin with the status quo and end with investigating the entire function. The analysis of small purchase techniques will identify the inefficient and superfluous control procedures which impact on the successful acquisition process.

1. The Techniques

a. The BPA

The mechanics of the BPA have been discussed. Control over this technique concentrates on two general aspects of the Blanket Purchase Agreement: receipt control functions for BPA calls and the granting of local BPA call authority.

As mentioned previously, NAVSUP 467 expands upon ASPR's definition of the technique by outlining a working level process. The author infers from this item an attempt to restrictively define the receipt control procedures which will conform more closely with the organization of most, but not all, Naval activities. It is in this area, especially, that the blanket purchase agreement loses, in large measure, its simplification as a purchase method.

Perhaps as an overreaction to the requirement for controlling the BPA process, the procedure has become complicated by the introduction of logs for recording call numbers, a profusion of call sheet copies and a time-consuming and ornate monthly matching process. The advantages of the monthly billings are being lost in a deluge of paperwork.

The advantage of granting local BPA call authority is two-pronged. Response time is minimized by placing purchase authority closer to the originator of the requisition. Financial editing can take place after the order is placed. In addition, the purchasing activity is relieved of the responsibilities for placing repetitive small orders and can concentrate on more sophisticated buys.

These advantages are somewhat offset by a loss in control over the propriety of buys thusly made. Public Works departments are particularly heavy users of local BPA call authority. Because these personnel are not as familiar with purchasing regulations and because they are definitely mission-oriented, the temptation exists to obtain the material by the fastest means available, not necessarily the most appropriate. Since the contracting officer's signature is not required on the purchase document, a potential for misuse and fraud is present. It is highly possible that the three functions of requisitioning, ordering and receiving may be accomplished by the same person.

The control mechanism, designed to obviate such situations, is the semi-annual review of the BPA. Done by the contracting officer, his designated representative or by the command using the

BPA if it is not the command of the contracting officer, the review is intended for delineating deviations from proper purchasing procedures, and improper distribution of business. Corrective measures are recommended and if not adopted, revocation of call authority may be effected. When the purchasing activity also performs the receipt control function, an additional control element can be applied when monthly bills are prepared. A review of the individual purchase documents can be done at this time, insuring the division of purchase functions and searching for evidence of splitting requirements. Since this opportunity for control exists, why is the semi-annual review also required? In practice this requirement is often ignored, replaced by spot-checks of individual BPA's. When performed the semi-annual review requires an inordinate amount of supervisory time which could be more valuably used managing the entire small purchasing system.

b. The Imprest Fund

The Imprest Fund is the small purchase technique most sensitive to fraud and misuse because of cash liquidity. In using this method, one must be concerned not only with the three purchase functions of requisitioning, ordering and receiving, but with paying as well. Again, a minimum of two individuals must be involved in an Imprest Fund transaction. Ideally, different individuals will perform each function but, if this is not possible, at least the purchasing and paying/receiving functions will be separated.

The Imprest Fund is subject to several reviews. Periodically, a review should be made to determine if the size of the Imprest Fund is appropriate. Maintaining too large a fund is

a wasteful use of Government funds and places a strain on safeguarding facilities. On the other hand, too small a fund requires frequent reimbursements and excessive administrative effort.

At the time of reimbursement, dealer's bills should be checked to insure proper receipt signatures. Additionally, transactions should be compared to purchase request documents to insure that payments are made only in response to valid requisitions. Unannounced inspections and verifications of the Imprest Fund are required at least quarterly. These audits establish that cash and receipts are on hand equalling the advanced amount of the fund. Not only the total amount of the fund should be verified but selected transactions must be examined to insure their propriety.

The Imprest Fund, then, is subject to at least three separate inspections, at varying frequencies, each with different goals, but each insuring proper use of the Government's funds. Minimally, the Imprest Fund will receive at least one monthly audit.

c. The Purchase Order

Since the Purchase Order incorporates many of the control elements of more sophisticated contractual procedures; formal receiving notations are made; the buy is documented immediately; authority to accomplish small purchases through use of the Purchase Order cannot be delegated outside of the purchasing activity; periodic or surprise inspections are not required. The only element of control which must be added is a survey of the workflow to insure paperwork does not bog down the purchasing process.

The Purchase Order format is, therefore, more flexible than the Imprest Fund, BPA and Purchase Invoice methods of small purchase in that its use can be adapted to a wide variety of buying situations. It might be assumed that, when considering the categories of purchases with which this thesis deals, the Purchase Order technique would not be the most popular technique. Could not most purchases in the \$0 to \$250 range be accomplished by the more restrictive but appropriate and supposedly simpler methods? It will be noted in Figure 3 that this is not the case. In fact, in the opinion of some purchasing activities, the Purchase Order method is ultimately the most clear-cut of the small purchase techniques and the method easiest to control. While the response time for Purchase Orders is generally longer than for other purchase procedures, these individuals believe it is an easier process to manage and they therefore rely on its use.

After reviewing the procedures available to the small purchase buyer, it is useful to determine which procedures are most often used and to hypothesize the reasons behind the demonstrated results. The data for this comparison was obtained from two sources, the NAVSUP Form 80A, Purchase Statistics, and from reviews of purchase activities made by the Navy Regional Procurement Office, Oakland (now the Regional Procurement Department of the Naval Supply Center, Oakland). The data refers to workload statistics for fiscal years 1973 and 1974. In certain cases, fiscal year 1974 data was not available to the author and fiscal 1973 data was used. Two charts will be presented. The first displays the individual differences between activities in purchase method mix. The second is

a comparison of response time according to the purchase method used at several activities.

2. The Technique Mix

In the first chart, 13 activities are examined including a Naval Supply Center which does not use the BPA to the same degree as do most purchasing activities. This activity will be discussed in more detail in Section III.D.

Figure 3 considers a total of 152,545 purchase actions. Of this total, 77,871 or 51% were accomplished through the use of the Purchase Order technique, 42,531 or 28% by BPA calls, and 32,143 or 21% were accomplished through use of the Imprest Fund. These statistics are misleading, however, when the previously mentioned Supply Center is included. By ignoring its contribution, the following results are obtained out of 116,601 purchase actions, 46,168 or 40% are accomplished by the Purchase Order method, 41,020 or 35% by BPA calls and 29,413 or 25% through use of the Imprest Fund.

Examination of these data does not reveal any significant trends toward favoring one purchase method over another. There would appear to be no mission requirement for which one purchase method is consistently more appropriate. The size of the activity as a function of the number of purchase actions processed seems not to favor any particular technique. By stretching a point, one could infer less use of the Imprest Fund method by Supply Centers. This is not too surprising since a Supply Center is more apt to order supplies in quantity thereby exceeding the monetary limit of an Imprest Fund buy.

COMPARISON OF PURCHASE METHOD MIX
FOR PURCHASES FROM \$0 TO \$250

TOTAL NUMBER OF ACTIONS	% PURCHASE ORDER	% BPA CALLS	% IMPREST FUND
548	36	9	55
*4,436	37	34	29
*4,539	17	52	31
*4,590	39	43	18
4,956	44	21	35
*5,784	45	39	16
5,937	18	27	55
10,105	56	26	18
**16,462	58	18	24
**16,939	24	57	19
*19,115	31	34	35
**23,190	46	37	17
***35,944	88	4	8

*Air Station
**Supply Center/Depot
***Supply Center not using BPA regularly

Figure 3

3. Comparison of Technique Response Time

Perhaps more interesting is an examination of response time when compared to purchase method. The same activities examined in Figure 3 were studied in Figure 4 with two exceptions. Response time data was not available to the author for the Supply Center not using the BPA method fully and for one other supply center. Consequently, Figure 4 presents data from only 11 activities. Prior to this comparison, the author had been led to believe that the larger the activity, the longer the response time.

A total of 99,662 purchase actions were examined: 42,100 accomplished by the Purchase Order method, 31,326 by BPA calls, and 26,236 through use of the Imprest Fund. Response time is defined as the time measured from the date of the requisition to the date the purchase action is awarded.

The author's preconception of the relationship between activity size and response time is not borne out by this comparison. Again, as in Figure 3, there appears to be little correlation of activity size to response time.

4. General Statement on Results

While it might appear that the author has gained little in examining these elementary statistics concerning purchase methods, the exercise has pointed out an obvious fact. Specification of small purchase procedures has not resulted in predictable performance outputs when the methods are put into practice. After considering the small purchase procedures and understanding the policy behind each, the general statement can be made that the Purchase Order requires longer lead time than either the BPA or the Imprest Fund. It is noted in examining Figure 4, however, that this

COMPARISON OF RESPONSE TIME FOR PURCHASES FROM \$0 TO \$250

Purchase Order, BPA Calls and Imprest Fund Buys

(In Calendar Days)

TOTAL NUMBER OF ACTIONS	PURCHASE ORDER RESPONSE TIME	BPA CALL RESPONSE TIME	IMPREST FUND RESPONSE TIME
548	8.1	7.3	8.4
*4,436	13.8	13.1	9.2
*4,539	2.38	1.67	1.48
*4,590	12.0	3.7	3.2
4,956	10.43	11.04	10.3
*5,784	12.8	5.0	6.5
5,937	17.3	10.4	11.9
10,105	9.4	5.3	8.63
**16,462	13.1	20.0	9.5
*19,115	15.0	8.4	10.2
**23,190	10.4	11.3	10.5

*Air Station
**Supply Center/Depot

Figure 4

statement does not hold true in every case. More disturbing is the wide range in response times for the various purchase methods. At the present time, no standard for purchase response time exists, and perhaps, this is an impossibility. Given variances in activity mission and commodities purchased, one would expect variations in response times but not to the degree that is evident in Figure 4.

The author infers from this examination and from interviews with small purchase buyers, that several factors impact on the processing of small purchases. These factors include the mission of the activity. The mission not only determines the types of commodities to be procured but the timing of requirements as well. For an activity providing purchase support to other commands, mission and commodities purchased, one would expect variations in response times but not to the degree that is evident in Figure 4.

The author infers from this examination and from interviews with small purchase buyers, that several factors impact on the processing of small purchases. These factors include the mission of the activity. The mission not only determines the types of commodities to be procured but the timing of requirements as well. For an activity providing purchase support to other commands, mission is defined as the combination of all the requirements and their corresponding priorities of supported activities.

The dollar constraints inherent in small purchase as defined herein (\$0 to \$250) exclude the purchase of truly unique supplies/services which are likely to exceed this limitation. In addition, such items are likely to require specification and inspection requirements beyond the scope of small purchase procedures. The fact that a purchasing activity supports or is a part of an

operational command has a much more significant impact on the choice of purchase method. High priority requisitions are more likely to be purchased than to wait for routine replenishment through standard supply procedures. The choice to purchase on the open market is even more likely when the dollar value of the transaction is low.

The availability of local commercial sources of supplies/services were also considered a factor when choosing a small purchase method. Again, however, the author received little support for the notion that an abundance of sources would lead to improved response time. The activity with the best response time in Figure 4 is a Naval Air Station located over 50 miles from the nearest commercial center. While its mission is not as operationally critical as the other Air Stations listed, its performance in small purchasing is phenomenal. Interestingly, this activity uses the BPA method in preference to the Imprest Fund and used the Purchase Order technique for only 17% of its small purchase.

The factor the author found to be most influential in affecting response time and, in fact most of the variances among small purchase statistics., was the organization of the activity in which the purchase office is located. The impact of the organizational environment influences not only the way in which purchasing is accomplished but also the way in which purchasing regulations are interpreted. The control elements of purchasing regulations have been overemphasized to the extent that satisfactory response time is becoming an impossible goal.

C. CONTROL OF SMALL PURCHASING

1. Pre-Purchase Considerations

In discussing each of the small purchase techniques, the author has attempted to annotate the various control aspects present in the procedure. It is necessary here to make some general statements concerning the control of small purchasing.

a. Procurement Through Standard Stock, the First Choice.

NAVSUP 467, in paragraph 2002, restricts methods of open market purchasing to situations in which the purchasing activity has determined that the requirement cannot be satisfied through Government sources of supplies and that a mandatory contract does not exist for the need. It is obvious that given a source of supplies/ services which have been procured by a centralized purchasing activity, the first responsibility of a purchasing or supply activity, is to take advantage of these already available supplies. To purchase requirements which have already been procured, usually at a lower price because of the advantages of quantity discounts, directly opposes a systematic procurement program.

It is recognized, however, that the success of a centralized purchasing program depends on responsive supply service. If a requisitioner must wait an inordinant period of time before receiving his material, and if work stoppage results from this waiting, a local purchase may ultimately be more efficient.

For a centralized purchasing system to be cost efficient, then, the requisitioning activity bears the responsibility for proper advance planning of its requirements and the centralized buying activity must maintain a high degree of responsiveness. The purchasing activity must also bear a responsibility for insuring proper use of

the sources of supply at its disposal. To assure achievement of the mission requirement, the purchasing officer must have the discretion to exercise his best judgement and correspondingly, be responsible for his decisions.

b. Avoid Splitting Requirements

Both ASPR and NAVSUP 467 contain prohibitions against the splitting of requirements for the purpose of utilizing small purchase procedures. These prohibitions apply not only to the splitting of requirements to avoid competition. It is also possible for a requisitioning activity to split needs in order to employ a particular small purchase process. For example, at an activity where the Imprest Fund method is particularly responsive, requirements could be split to stay under the monetary limits of the Fund.

Solutions to this problem are similar to that of utilization of standard stock sources of supply. Requirements are usually split to decrease response time. Proper planning on the part of the requisitioner is necessary. Effort to minimize response time by the purchasing activity is necessary.

Failure to control the splitting of requirements can result in paying a higher price for the item requested, increased administrative time and effort and increased transportation costs. Catching evidence of splitting requirements is a function of the controls on the entire purchasing workload.

c. Competition

If one attempts to equate competition with formal advertising, he is making a mistake. This error is compounded if this view is carried over to the category of small purchases. The restrictions inherent in formal advertising are systematic. The term

defines a method of achieving competition, not the presence or absence of this attribute.

Competition is as important, if not more so, in negotiation as in formal advertising. But that should be no surprise. Competition has long been recognized as a prudent and economical manner of doing business.

The small purchase buyer is required to insure that all qualified suppliers have an equal chance to obtain the government's business. In the case of the BPA, this is accomplished by establishing agreements with multiple suppliers. For the Imprest Fund and Purchase Order the buyer must insure adequate distribution of business.

d. Division of Purchase Responsibility

To prevent fraudulent use of small purchase procedures, a division of small purchase responsibility is directed by both ASPR and NAVSUP 467. Minimally, two individuals must share particular functional responsibilities for purchasing. Three of these functional areas are highlighted:

- (1) Initiation of the requirement,
- (2) Placement of the order,
- (3) Receipt, inspection and acceptance of the material.

Ideally, a different person will perform each of these functions but, in any case, the same individual will not perform both placement of the call and receipt, inspection and acceptance of the material.

2. Control of Local Purchasing Authority

Separate purchase activities exist in an attempt to provide expertise in performing the purchasing function. It is sometimes necessary to allow individuals outside the purchase organization a

limited degree of purchase authority. This occurs in the use of local BPA call authority and advances of funds from the Imprest Fund. Unless specifically authorized by the appropriate contracting officer, no individual should be in a position to obligate the Government to a contractual arrangement. Since dealer's invoices must be certified before payment can be made, it is the responsibility of the purchase organization to insure that any purchase document is duly effected by its personnel or properly authorized individuals. Further, the purchase organization must insure that any individual so authorized, is performing his responsibilities in conformance with existing regulations. If it is determined that this is not the case, the individual's purchase authority will be revoked.

3. Systems Review

a. Reviewing Contractor Performance

Properly evaluating contractor performance is the responsibility of the purchasing activity, the requisitioning activity, the receiving activity and to some degree, the paying activity. During any of the reviews of any of the small purchase procedures, contractor performance should be an item of study. Was the quality of the requested commodity satisfactory? Was delivery in conformance with the terms of the purchase agreement? Were invoices submitted properly? When compared with past performance are pricing trends developing? Is the contractor reliable?

The answers to these questions rely in large measure on the availability and adequacy of a data base containing completed purchase documents. To evaluate the efficacy and efficiency of any organization, a manager must be able to review the past performance of his area of responsibility. Since contractor performance has a

direct impact on the efficiency of a purchasing organization, maintaining a data base with the information necessary for this sort of evaluation becomes a purchasing function.

b. Examining the Workflow

Finally, it is the responsibility of all activities which impact on the procurement process, to review their way of doing business. This review has two purposes.

First, the flow of the purchase request must be so defined so that its progress can be mapped. It must be possible to identify where, in the total system, the procurement is located for the purpose of expediting, cancelling or modifying the requirement. This map can then be used to achieve the second purpose of such a review, the elimination of unnecessary paperwork.

In any purchase activity, there exists a profusion of logs, working files and retained documents. In reviewing the various small purchase procedures, the major control elements have been mentioned. Yet one would assume from an examination of purchasing in action, that a much more complex process is underway. If each and every control measure is not required, why do they develop?

With the advent of the copying machine, documents were no longer limited to a specific number of copies. Everyone could have a copy of a purchase document and everyone wanted one. Every member of a bureaucracy remembers what happened when a document was misplaced or lost and has resolved to insure it won't happen again. So besides the required purchase document file, each responsibility center keeps its own working file, logs the requisition in and out and retains proof of processing. This uncontrolled growth of control mechanisms is the subject of system review and the importance of this function cannot be overemphasized.

4. Control by the Accounting Activity

In the previous discussion of the interrelationship between purchasing and the accounting activity, the responsibility of the accounting activity was defined as the ability to inform a supported activity of the status of its funds. Its responsibility does not include the authority to approve the expenditure of funds. This is the responsibility of the allotment holder. Because a local comptroller has what might be called a dual allegiance, to advise the command on financial matters and to provide the accounting activity with the data it needs to accomplish its mission, it may sometimes exert more control on the acquisition process than is actually required by regulation.

It is not the responsibility of a local comptroller to approve the commitment of funds to a purchase request. As an activity which provides input to an accounting activity, a local comptroller is responsible for insuring that the proper accounting data is charged when a purchase action takes place. In accomplishing purchases through use of local BPA call authority, edit of accounting data is routinely not done prior to effecting the buy but is an after-the-fact process.

5. Control by the Paying Activity

The paying activity effects the final step in the procurement procedure, the actual expenditure of the Government's money. Since this is the last step in a long line of processes, it falls to the paying activity to insure that completion of the transaction will not take place prematurely. Further, the paying activity must have at its disposal, information which will preclude duplicate or overpayments.

The paying activity is also a source of data for the accounting activity. Since the accounting data is the identifying element, the paying activity insures that the proper spread is matched with the appropriate purchase document and ultimately to the public voucher. Primarily, the first step of gathering together the required documentation is the matter of reviewing the purchase package as it is presented to the paying activity. While the responsibilities may differ from the purchasing activity or accounting activity, the review is remarkably similar to those previously done.

D. SMALL PURCHASING IN ACTION: A CASE

For the sake of emphasizing the point that misinterpretation of the control requirements of regulations and the impact of the organization of an activity on small purchasing, a case is presented. The case deals with a decision to discontinue use of the Blanket Purchase Agreement in deference to the Purchase Order. The primary reason for this decision was the cumbersome nature of receipt control procedures for the BPA, processes which occur after the purchase action has been completed but necessary for payment action to take place. Receipt control can be the responsibility of the purchasing activity or the ordering activity. In the case, receipt control was accomplished by the purchasing activity for the orders it placed. The activity is the largest small purchasing activity in the Navy.

The rationale behind this decision is important to the subject matter being studied in this thesis. To fully understand the decision to abandon the BPA one must become familiar with its evolution.

Since the environment has changed significantly in the time since the decision was made and since the author had only limited access to the supply center concerned, the background information is incomplete. Several factors do become apparent, however, after examining a limited amount of written information and conducting interviews with individuals who were there at the time.

The Naval Supply Center, Oakland receives requisitions in several formats including the DD 1348, the DD 1149 and requisitions in message format, among others. When a requisition was destined to be satisfied through use of a BPA, information required for that method was annotated on the requisition document. This procedure proved unworkable for message requisitions, however, and the purchase department developed a BPA call information sheet which contained the pertinent data. NAVSUP 467 requires that an original and two copies of such a document be prepared but the organization of the Naval Supply Center required an additional 6 copies for a total of 8; one for the vendor, 2 for the activity initiating the requirement, 1 for the purchase file, 1 for the receiving file, 1 for the fiscal office, 1 for the computer and 1 in case of a partial shipment.

During this period of time, flexowriters were introduced to the purchasing organization and they were programmed to prepare the DD 1155. Given this capability, the purchase organization converted to the use of this form as the BPA call sheet. The preparation of the NAVCOMPT 2035 then became the focus of attention. Since the organization had already adopted the standard format for Purchase Orders as BPA call documentation, it was an easy conversion to this purchase method vice the BPA. This conversion not only

saved the clerical workload involved in preparing the NAVCOMPT 2035 but also saved the time devoted to the two matching procedures previously mentioned. The Navy Finance Center, Treasure Island did not fare as well, however. Now a separate voucher and check had to be prepared instead of consolidating orders and paying with a single operation.

Another factor contributed to the decision to abandon the BPA purchase method. In order to monitor the use of Fast Payment procedure at the Naval Supply Center, Oakland, it had to be possible to distinguish these BPA calls using Fast Pay from the conventional BPA call, to accommodate the computer's informational system. It was determined that no possible means were available to do this so the decision to convert to the Purchase Order method was reinforced.

The Naval Supply Center, Oakland retained the BPA method as a purchase tool when dealing with buys for shops stores, MSC and other CONUS activities which had been granted local call authority.

An evaluation of this case turns up symptoms which are directly related to the subject matter of this thesis. The entire decision-making process was focussed on reducing paperwork and speeding up the small purchase process. For the purchasing activity, improvement in both of these areas was noted. The Finance Center, however, had to cope with an increase in workload which ultimately affected the speed of vendor payment not only of the buys in question but of all invoices processed by this organization. The benefits of summary billings were lost.

Once the decision-making process was underway, it seemed to drive itself. The requirements of the organization, which were not reflected in regulations, were not evaluated to determine if a better method of routing requisitions through the activity was possible. The question immediately arises; is the purchasing method inadequate or is its interpretation complicating the system? While an improvement in response time was noted, the complete purchasing system did not achieve a savings. One cannot make a decision as major as this one and not consider its effect on the total system. Finally, by committing the resources of the activity to one alternative, the organization was not capable of a complete analysis of the problem. Was an alternative possible which would have resulted in a greater improvement of both purchase response time and reduction of procurement effort? On the surface it appeared more advantageous to discontinue use of the BPA, highly touted in purchasing policy, than to alter the organization, a situation which emphasizes the need for a complete analysis of small purchasing organizations.

IV. IMPLICATIONS

A. THE HYPOTHESIS RESTATED

In reviewing Figure 4, it becomes evident that response time does not vary consistently with the choice of purchase method. The author inferred that this variance was due to the organization of the purchasing activity or the organization of the entire procurement chain. What causes variations in purchasing organizations? The author contends that interpretation of the mandate

for control inherent in purchasing regulations, results in a network of controls which is excessive. The manager of the purchasing function appears to be placing more emphasis on the provision of controls than in improving response time, reducing administrative costs or insuring prompt vendor payment. Each of these procurement goals is voiced in purchasing regulations. The criticality of purchasing response time has received new emphasis from Rear Admiral Wallace R. Dowd, Jr., Supply Corps, United States Navy, Chief of the Supply Corps and Commander, Naval Supply Systems Command. Within the context of existing policy directives, it is the policy of the Navy and of the Supply Corps to take actions to improve the response time of satisfying the requirements of the operating forces. The controls generated by regulations are formidable enough, but the growing tendency appears to be a further layering of controls by all organizational elements involved in the procurement process. The requirement to add a single piece of paper or to make an individual log entry for each small purchase mushrooms into a stupendous amount of paperwork when considered in its totality. The time required to conform to these control procedures increases response time, delays vendor payment and adds to the total administrative costs of small purchasing.

Before implementing any control measure, therefore, its impact across the entire organization and the resultant costs must be evaluated. An important judgement must be made trading off the control advantages against these costs, both in dollars and in time. It is important to emphasize the term entire organization. As graphically illustrated in the short case presented in Chapter III,

what may optimize the procurement process for the purchasing activity may adversely affect a paying activity. The entire procedure, as it impacts each and every organizational element must be considered if the total acquisition system is to be optimized. In light of these considerations, the author proposes three recommendations concerning small purchasing.

1. The Priorities Among Purchase Methods

It is difficult to argue with the advantages to be gained in processing monthly vendor billings instead of preparing separate payments for each order placed. For this reason, the BPA has been touted as the most preferred small purchase method. So long as this technique is not unnecessarily complicated by excessive paperwork, this premise remains valid.

In view of the savings in administrative costs, the author maintains that any small purchase procedure which allows for summary billings should have first priority. This contention is not different from present small purchase policy. The author does recommend expansion of small purchase methods which allow for monthly or summary billings to include more of the buys in the \$0 to \$250 range.

Use of the Imprest Fund is curtailed and closely controlled because of the inherent risks in handling cash, the dollar limitations, and delivery requirements. Probably the most influential of these administrative restrictions is the 30-day single delivery and payment requirement. Vendors prefer Imprest Fund transactions because of the speed in receipt of payment. The author

recommends simplification of the purchase process in addition to paying activity requirements in order to reduce the use of the Imprest Fund and speed up the paying process. One aspect of Imprest Fund use, the C.O.D. purchase remains an extremely timely and useful small purchase tool and should receive priority second only to procedures requiring summary billings, and within the presently established constraints of this procedure. Not only is the paying activity relieved of responsibility for a significant number of payment actions, but the vendor receives his payment more promptly.

Finally, use of the Purchase Order should be restricted to buys requiring the added documentation or inspection requirements of more sophisticated purchases. Purchase Orders are also appropriate when the procurement is to be made from a seldom-used vendor or is a one-time only buy.

2. Granting Local Purchase Authority

Any time purchasing authority is granted outside of the purchasing organization, its use will require monitoring. This is a present requirement of regulation. But rather than directing documentation of this audit process, is it perhaps fruitful to develop a professional sense of responsibility; to require an exercise of common sense and creativity whenever the Government's money is to be spent? The book-bound attitude of many purchasing personnel does more to foster violations of control procedures than does any inherent avarice of human nature. By allowing the requiring activity some discretion in purchasing immediate requirements, does the purchasing activity succeed in destroying the game of second-guessing the book in order to achieve a mission? And

ultimately, does this action relieve the purchasing activity of some of its audit responsibilities?

By no means does the author propose expanding local purchase authority as a substitute for adequate planning of requirements. The point being made here is that by allowing a using activity to purchase relatively inexpensive and readily available commodities, the purchasing activity is capable of exercising its expertise on more sophisticated buys. Time is available for evaluating purchase data from a management point of view. Trends in pricing, needs for centralized purchasing, and researching for alternative sources of supply can be done by purchasing personnel when relieved of the responsibility for routine and simplistic buying.

An increase in local over-the-counter buys is not necessarily a factor to be avoided. Local suppliers are a supply source well worth developing. Every Government installation has a significant impact on its local community. Fostering good business relationships between the business community and the Government is an admirable goal. Any simplification of the paperwork side of this relationship can only enhance this goal.

3. Fast Pay Across-the-Board

Present policy restricts the use of Fast Payment Procedures to purchase actions destined for delivery to deployed or remote units. The author recommends expansion of this process to include all written orders accomplished under small purchase procedures excepting C.O.D.'s, purchases requiring detailed specifications and buys requiring technical inspections upon receipt. Because the

items most often ordered under small purchase procedures are commercially available, standard commodities in use across the business spectrum, adequate shipping containers and transportation measures are probably available.

So long as the vendor agrees to replace, repair, or correct supplies not received at destination, damaged in transit, or not conforming to purchase requirements [Ref. 1], the Government's interests are adequately safeguarded. In many cases, Fast Payment procedures have already been implemented for activities not qualifying for its use. Interpretation of the regulations has been stretched because of the benefits to be attained. The author, therefore, recommends legitimization of these buys and wider application of the process.

B. REQUIREMENTS FOR FUTURE STUDY

The purpose of this thesis was to investigate whether the simplified small purchase procedures were adequately providing efficient procurement. What has been discovered is that in the area of response time and vendor payment, small purchasing could be improved. The tradeoff between control and efficiency has been highlighted. The system as specified by regulations does not appear to require excessive controls. Rather, it appears to be the interpretation of these regulations and the adapting of purchasing functions to organizational factors which are at fault. The proof of this statement will be the next step in a complete evaluation of small purchasing. The author proposes three specific areas of future study to aid in this investigation.

1. Data for Evaluating the Costs of Small Purchase Procedures

While assigned as contracting officer with small purchase authority, the author was involved in the gathering of data for the Resources Management System (RMS). The author endorses the aim of gathering workload statistics for the purpose of assigning a cost to functional areas. The definition of work units for purchasing, however, does not provide meaningful results when one is attempting to evaluate a small purchase activity. The impact of small purchasing is directly related to the administrative costs associated with it which is the subject of Resources Management. The author, therefore recommends a review of the Resources Management System with respect to work unit definition for purchasing. The results of such a review would enable the manager to accurately define the output. It must be remembered that RMS is a management information system. The idiosyncrasies of an organization are more readily reflected in management information systems than in other functional areas. One precept should always govern the development and use of such a system. This tool is a means for evaluating the effectiveness of a system. It should not develop into a driving force. In other words, a management information system loses its effectiveness and begins to hinder the organization when its methods add significantly to the expenditure of effort to the detriment of accomplishing the mission of the unit.

As a sidelight, the author contends that, armed with accurate RMS data, the manager will be able to make evaluations concerning two aspects of small purchasing.

a. Bulk Funding

ASPR, in paragraph 3-602(a) and again in paragraph 3-603.1(c), defines and encourages the 'bulk funding' concept. Use of this procedure entails the granting of obligation authority to the contracting officer against a specified amount of funds for a specified period of time, rather than obtaining individual obligational authority for each purchase action. This concept advocates reduction of delay, administrative costs, duplicate handling and documentation for buys charged to the same appropriations. Navy policy, however, does not treat this concept with the same enthusiasm as does ASPR. Given a true picture of small purchasing costs, the manager should be able to evaluate "bulk funding" as a small purchasing alternative more dispassionately. The author recommends this evaluation be made, on an individual activity basis.

b. Standard for Response Time

In conjunction with adapting the RMS procedures to small purchasing, the data so obtained can be used to develop a standard for small purchase response time. The variations in mission, organization, staffing and scope of purchasing activities may not allow a single, Navy-wide standard to function effectively. However, a range for average response time should be a practical and attainable goal. Certainly, it must be possible to close the gaps so visible in Figure 4. It must be emphasized that the end of such an endeavor should not only be compartmentalized into method response time. All of small purchasing must be considered. A broad look at the function will allow a better ground for evaluating procurement and possibly proposing alternative and more affective processes.

2. Review of Small Purchase Organizations

The author was struck by the diversity in purchasing activity organization when attempting to isolate factors influencing variances in purchase method utilization mix and response time. Most activities are subject to at least one annual audit. It is recommended that organizational evaluation be incorporated as an aspect of purchasing subject to review. At the present time, it would appear that any organization which does not run afoul of the regulations is acceptable. However, this process of auditing purchasing organizations should not be a function external to the procurement activity. Emphasis should be given consideration of organization of the purchasing function in policy statements. The entire procurement chain should develop an effective system of self-audit. Given a means of evaluating the costs of the purchasing functions, these must be a matter of constant observation and analysis.

Reviews of purchase organizations should provide data which after consolidation and dissemination, could be evaluated to the end of improving the structure of procurement. Any evaluation of the organizational factors must keep in mind those other functions which contribute and receive from purchasing, the elements of the procurement process in totality. Finally, the purchasing manager must not allow himself to lose track of the goal of his mission; to provide the right material, at the best price, in a responsive manner.

DD 1155r, GENERAL PROVISIONS

Supplies are of domestic or origin sources otherwise indicated by question. The Government reserves the right to consider questions of this type. Questions should be answered after the date indicated should each occur be in the interest of the Government. This is a request for information and questions furnished are not offers, where asking, complete blocks 11, 12, 22, 23, 24 if you are asked to provide, please answer. This request does not commit the Government to pay any cost incurred in preparation or the submission of this question or to procure or contract for supplies or services.

[illegible]

2. PAYMENTS - Invoices shall be submitted in quadruplicate (one copy shall be marked "Original") unless otherwise specified and shall contain the following information: Contract or Order number, item number, complete description of supplies or services, unit, unit price and extended totals. All of following number and weight of shipment will be shown for shipments on Government's Bill of Lading. Unless otherwise specified, payments will be made on partial deliveries accepted by the Government when the amount due on each delivery so warrants.

[illegible]

9. CONVICT LABOR - The Contractor agrees not to employ for work under this contract any person under a sentence of imprisonment at hard labor.

B. COVENANT AGAINST COMMISSION FEES: The Contractor warrants that no person or entity agency has been employed or retained to solicit or secure this contract except as agreed upon and understanding for a commission, percentage, brokerage, or contingent fee except on bona fide employees or bona fide sales used commercially in the selling agency that is owned by the Contractor or its agent. If the Contractor or its agent is awarded a contract by the Government, which shall have the right to annul this contract without liability if it is found not to default from the contract price or consideration or otherwise required, the full amount of such commission, percentage, brokerage or contingent fee.

12. RENEGOTIATION - This contract, and any subcontract hereunder, is subject to the Renegotiation Act of 1951 as amended (50 USC App 1221 et seq) and may be deemed to comply with the purposes required by Section 104 thereof, and is subject to any subsequent act of Congress providing for the renegotiation of contracts.

14. PRIORITIES, ALLOCATIONS AND ALLOTMENTS OFFENSE MATERIALS SYSTEM. When the amount of the order is \$500 or more the Contractor shall follow the provisions of JMS Reg. I and all other applicable regulations and orders of the Business and Defense Services Administration or administering controlling agencies and other projects and instruments needed to (1) the order

1e) General. This is a fast payment order. Invoice will be paid on the basis of the Contractor's delivery to a post office common carrier, or, as shipment by other means, to the point of first receipt by the Government.

(1) Upon delivery of supplies to a post office, common carrier, or an airman by other means, the point of first receipt by the Government, the Contractor shall prepare an invoice in accordance with Clause 3 of the General Provisions of Purchase Order, except that: goods under a blanket purchase agreement shall be prepared in accordance with the provisions of the agreement; in payments by either post office or common carrier, the Contractor shall attach all bills on the invoice; the point, name and address of origin of all items, as well as other pertinent documents, number, or (B) copies of such documents to the invoice as evidence of shipment. In addition, the invoice shall be prominently marked "Fast Pay." In case of delivery by other than post office or common carrier, a receipted copy of the Contractor's delivery document shall be attached to the invoice as evidence of delivery.

(d) Certification of Invoice. The Contractor agrees that the submission of an invoice to the Government for payment is a certification that the supplies for which the Government is being billed have been shipped or delivered in accordance with all proper instructions issued by the ordering officer, in the purchase order on the invoice, and that such supplies are in the quantity and of the quality designated by the cited purchase order.

⁹⁶ This clause applies if this contract is for services and is not exempted by applicable requirements of the Department of Labor.

SERVICE CONTRACT ACT OF 1965. Except to the extent that an exemption, violation, or tolerance would apply pursuant to 29 CFR 4.8 if there was a contract in effect of \$2,300. Contractor and any subcontractor, regardless of size, all of whose employees are engaged in performing contract work, shall be subject to the minimum wage specified under section 8(a)(1) of the Fair Labor Standards Act of 1938 as amended: \$6.60 per hour. However, in cases where subsection (a)(2) of the Fair Labor Standards Act of 1938 is applicable the rates specified therein will apply. All regulations and interpretations of the Service Contract Act of 1965 expressed in 29 CFR Part 4 are hereby superseded by reference to this contract.

7. CHANGES - The Contracting Officer shall at any time, by a written order, and without notice to the sureties, make changes within the general scope of the contract, in its drawings, specifications or conditions, where the surplus to be furnished may be to be specially manufactured for the Government in accordance therewith. The method of payment of such orders and the special of delivery of the work shall be as provided in the contract. The contract shall be modified by the issuance of the contract, without change in or charged by any such order, and no such order shall be made by written modification of the contract. Any such order shall be binding on the contractor under the clause must be entered within 30 days from the date of receipt by the Contractor of the order. If the Contractor fails to comply with the order within the time specified, the Contractor shall be liable for the cost of the work. The Contractor may receive and act upon any such sum of awarded prior to final payment under the contract. Failure to comply with any such order shall be a cause for termination of the contract and shall be a cause for forfeiture of the contract. The Contractor shall be liable for the cost of the work.

18. **TERMINATION FOR DEFAULT** - The Contracting Officer, by written notice, may terminate this contract, as whole or in part, for failure of the Contractor to perform any of the provisions hereof. It is agreed that the Contractor shall be liable for damages, including the reasonable cost of procuring substitute performance, in the event of termination. It is also agreed that the Contractor was not in default or (a) the Contractor, before to perform is without fault and has substantially a complete lack of negligence, the termination shall be deemed to be a termination for convenience under paragraph 19. As used in this paragraph the terms "subcontractor" and "subcontractor's" shall apply only to subcontractors, not to the Contractor.

15. TERMINATION FOR CONVENIENCE. The Contracting Officer, by written action may terminate this contract, in whole or in part, when it is in the best interest of the Government. If this contract is so terminated, the Contractor shall be compensated in accordance with Section VIII of the Armed Services Procurement Regulation in effect on the contract's date. To the extent that this contract is for services and is so terminated, the Government shall be liable only for payment in accordance with the payment provisions of this contract for services rendered prior to the

10. ASSIGNMENT OF CLAIMS - Claims for monies due or to become due under this contract shall be assigned only pursuant to the Assignment of Claims Act of 1940 as amended 31 U.S.C. 203 et seq. 15. However, payments to an assignee of monies under this contract shall not, to the extent permitted by this Act, as amended, be subject to reduction or set-off. (See Case 12.)

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The Company or Seller accepts the offer represented by this numbered purchase order as if more previously have been or is now modified subject to all of the terms and conditions set forth and agrees to perform the work.

OF LOST ACTS

17/04

NAME AND TITLE	DATE SIGNED
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APPENDIX B

REQUIRED TERMS AND CONDITIONS BLANKET PURCHASE AGREEMENT

- i. Description of agreement - a statement that the supplier shall furnish supplies or services, described herein, in general terms, if and when requested by the contracting officer or his authorized representative during a specified period and within a stipulated aggregate amount, if any.
- ii. Extend of obligation - a statement that the Government is obligated only to the extent of authorized calls actually placed against the blanket purchase agreement.
- iii. Pricing - a statement that the prices to the Government shall be as low as, or lower than those charged the supplier's most favored customer, in addition to any discounts for prompt payment.
- iv. Call limitation - statement that no individual call shall exceed \$2,500 (except for subsistence).
- v. Notice of individuals authorized to place calls and dollar limitations - a provision that a list of names of individuals authorized to place calls under the agreement, identified by organizational component, and the dollar limitation per call for each individual shall be furnished the supplier by the contracting officer.
- vi. Delivery tickets - a requirement that all shipments under agreement except subscriptions and other charges for newspapers, magazines, or other periodicals shall be accompanied by delivery tickets or sales slips which shall contain the following minimum information:
 - (1) Name of supplier;
 - (2) Blanket Purchase Agreement number;
 - (3) Date of call;
 - (4) Call number
 - (5) Itemized list of supplies or services furnished;

- (6) Quantity, unit price, and extension of each item less applicable discounts (unit prices and extensions need not be shown when incompatible with the use of automated systems, provided that the invoice is itemized to show this information);
- (7) Date of delivery or shipment.

vii. Invoices - one of the following statements:

- (1) A summary invoice shall be submitted at least monthly or upon expiration of the BPA for all deliveries made during a billing period, identifying the delivery tickets covered therein, stating their total dollar value, and supported by receipted copies of the delivery tickets; or
- (2) An itemized invoice shall be submitted at least monthly or on expiration of the BPA for all deliveries made during a billing period and for which payment has not been received. Such invoices need not be supported by copies of delivery tickets; or
- (3) When billing procedures provide for an individual invoice for each delivery, these invoices shall be accumulated provided that,
 - (a) A consolidated payment will be made for each specified period; and
 - (b) The period of any discounts will commence on the final date of the billing period or on the date of receipt of invoices for all deliveries accepted during the billing period.

The provision in (3) above should not be used if the accumulation of the individual invoices by the Government materially increases the administrative costs of this purchase method.

- (4) An invoice for subscriptions or other charges for newspapers, magazines, or other periodicals shall show the starting and ending dates and shall state either that orders have been placed in effect or will be placed upon receipt of payment.

viii. The special data required for the Fast Payment procedure.

Source: Reference 1

DD 1155: ORDER FOR SUPPLIES OR SERVICES/REQUEST
FOR QUOTATIONS

DD FORM 1155

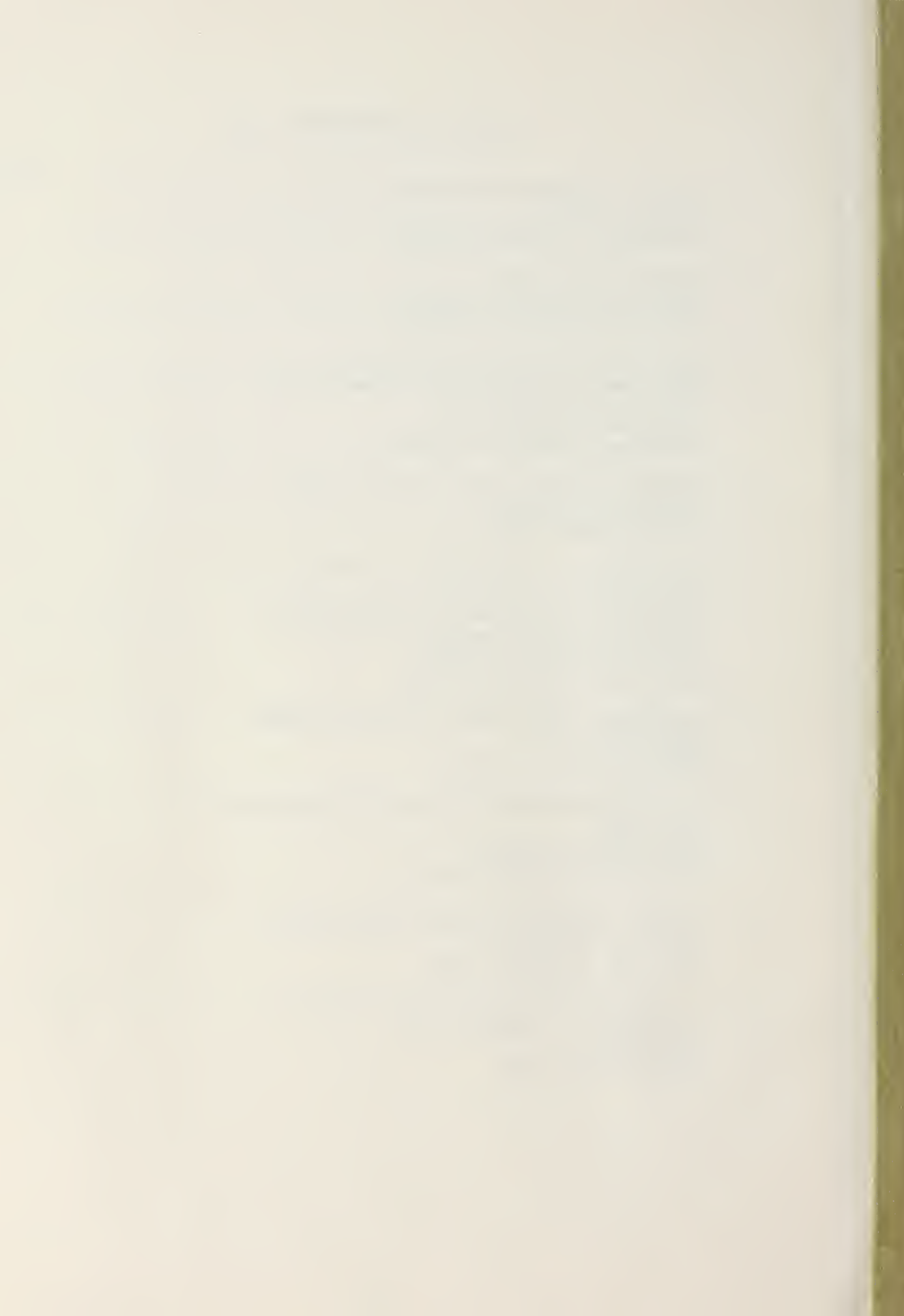
Form Approved by Comptroller General, U. S., 77 May 64

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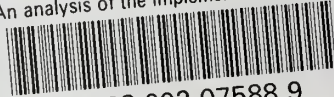
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